Robertson, James Barr

The Indian currency: paper ... read before the...

London

1894

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Robertson, J[ames] Barr.
The Indian currency; paper read before the Society of Arts (Indian section) on March 8, 1894. London, Wilson, 1894.
23 p.

Reprinted from the Journal of the Society of Arts of March 23, 1894.

Vol. of pamphlets.

ONLY ED

TECHNICAL MICROFORM DATA

FILM SIZE: 35mm REDUCTION RATIO: 11:1 IMAGE PLACEMENT: IA IIA IB IIB

DATE FILMED: 11-6-97 INITIALS: PB

TRACKING # : 29522

FILMED BY PRESERVATION RESOURCES, BETHLEHEM, PA.

No. 7 332

REPRINTED FROM THE "JOURNAL OF THE SOCIETY OF ARTS," OF MARCH 23, 1894.

THE INDIAN CURRENCY.

PAPER BY

J. BARR ROBERTSON.

READ BEFORE THE SOCIETY OF ARTS (INDIAN SECTION) ON MARCH 8, 1894.

RIGHT HON. HENRY CHAPLIN, M.P., IN THE CHAIR.

LONDON:
EFFINGHAM WILSON & CO., ROYAL EXCHANGE.

1894.

Price Sixpence.

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The Indian currency in its practical aspects is one of the most important questions of the day, and it is with its practical aspects only that I intend to deal. For twenty years causes have been at work that have gradually but steadily lowered the gold value of silver, and to-day the fall has reached a point so far below all reasonable expectations as to amount to a world-wide calamity. Because it must not be supposed that India and the other silver-money countries are the only sufferers by the monetary changes of the last twenty years, or even the chief sufferers. The silver-money countries have in their trade and agriculture been prosperous beyond all comparison with the gold-money countries. On the other hand, the injury and loss to which the gold-money countries have had to submit are so enormous and so widespread, as to be well nigh beyond all calculation. The fall in the gold value of silver is the one great injury that has been inflicted on India, but it is only when Indian officials, or merchants, or people have been concerned in transactions in gold that they have been conscious of change. So far as the whole internal trade and the daily life of the Indian people are concerned, all their transactions and values have been in silver, and of the working of the silver currency there is nothing whatever of which to complain. The Indian people are altogether unconscious of any material change in the last twenty years in prices of their products, and indeed during this period, according to all the Indian authorities, the great body of the people have been in the enjoyment of great, if not even unexampled, prosperity.

It is, therefore, evident that the mass of the people of India know nothing of the silver question, though the Legislatures and Press and platforms of Europe and America have been ringing with it for eighteen years.* Why is it then that this so-called silver question has assumed such formidable proportions in the West, where there is no free coinage of silver, and is so unknown among the people of the East, whose currencies are all of silver? The reason is that the change is in the gold and not in the silver, and thus it is that the people of the East are prospering under silver, while those of Europe and America under gold are compelled to submit to lower and lower prices of commodities and diminishing values of property, and consequently to paralysis of agriculture, trade and industry. The real trouble is not the silver question but the gold question, and until this dominating fact in the fortunes of Europe and America is thoroughly realised, there will be no remedy and no relief from the disastrous position into which the gold-money countries have permitted themselves to drift.

While, as has already been said, the mass of the people of India are unconscious of any material change in their property and trading values, they are conscious of a change in the

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value of gold. In their daily life this would not be of any great moment, but it becomes of considerable importance through the necessity of raising additional taxation to pay a large premium in silver when they come to discharge gold obligations, and particularly the large payments in London. If, then, the cause of all the trouble is to be found in gold, is it not advisable to look for a remedy that will correct, in a greater or less degree, the evils of the present gold-money system? Why is it that, in face of the most absolute proof that there has been no material alteration in values of commodities in silver-money countries, a change is so readily entered on in India, where there is no need of change if only the British Government would apply a remedy to their own appreciated gold currency, which is bringing in its train greater and greater disaster year by year?

Silver Standard versus Gold Standard for India before 1873.

It is believed by some gentlemen of great Indian experience that an irreparable injury was inflicted on India by the decision arrived at, in 1835, to confer the legal tender function exclusively upon silver, and to withdraw it from gold except at the Treasuries, where also it was abolished in 1853. It is contended that if silver had not been made the sole legal tender, and if gold had continued on equal terms with silver, India would not now be involved in serious financial difficulties. Because it must not only be remembered, but be firmly emphasized, that the difficulties of India do not arise from the Indian monetary system. They arise solely and exclusively from the gold obligations payable in London, and but for the enormous increase in the purchasing power of gold in the United Kingdom and other gold-money countries, the gold troubles, which began twenty years ago and became so accentuated as to cause the Indian Government to resort to extraordinary legislation, would never have existed. Had bimetallism been continued in India after 1835 the view of the Indian authorities to whom I have referred is, that during the period of greatly increased production of gold after 1849 in California and Australia, India would have passed on to the single gold standard, retaining silver for token money with restricted coinage, and with either limited or unlimited legal tender. But as there was no bimetallism in India, and only silver, some of the leading Indian officials urged upon the Home Government the vast importance, when gold was so abundant between 1850 and 1865, of introducing the gold standard, and of relegating silver to a subsidiary position as token money. It may be pointed out, though it is almost self-evident, that if bimetallism had been in existence in India during the period between 1873 and 1876, when France suspended the unrestricted coinage of silver, silver in India would have been deprived of its title to unrestricted coinage, and relegated to a subordinate function, thus following the lead of France and the other countries of the Latin Union. Had bimetallism been in existence in 1873 in India, it can hardly be regarded as possible that the Government of India would have chosen, or the Home Government would have permitted, the demonetization of gold in India rather than the demonetization of silver. In 1876, a Select Committee of the House of Commons sat, under the chairmanship of Mr. Goschen, to consider "the cause of the depreciation of the price of silver, and the effects of such depreciation upon the exchange between India and England," and as early as that period when the gold value of the rupee had fallen to about 1s. 8d., there were demands made by the commercial and official classes of India in favour of the introduction of a gold currency, or at least a gold standard. But, in recent years, the demands for bimetallism or for a gold standard have become louder and deeper.

These considerations in regard to gold in the Indian currency have been set forth in order to show that at successive periods since 1835 the question of adopting the single gold standard was seriously considered. But while the failure to elevate gold, and thus to dethrone silver, is by some Indian authorities regarded as an evil destiny to whose malignant influence India has unhappily had to submit, I venture to think that in retaining silver and rejecting the single gold standard, the stars in their courses were fighting for the people of India. In a paper on "The Currency Problem" which I read on January 19, 1893, before this section of the Society of Arts, I gave figures in detail to show the movement of the prices of the leading commodities as valued in gold and also in silver. Here I present a Table (p. 3), the first four columns of which were contained in my former paper, except the additions for 1893 and 1894 in Mr. Sauerbeck's figures, and for January 1, 1894, in those of *The Economist*, and Columns V., VI., and VII. are the index numbers of the India Office.

Index Numbers of the Gold Prices and the Silver Prices of Commodities.

	I.	II.	III.	IV.	V.	VI.	VII.
	Mr. Sauerbeck's Index Numbers.		*The Economist* Index Numbers.		The India Office Index Numbers.‡		
	Gold value of Bar Silver in London. Average of year.	45 leading commodities. — Average of year. — Gold prices.	22 leading commodities. — 100 = 3,102. January 1. — Gold prices.	Prices in Col. III. as valued in London in Bar Silver, January 1. — Silver prices.	Exports at Calcutta. — 20 leading articles. — Silver prices.	Imports at Calcutta. — 11 leading articles. — Silver prices.	Average of Cols. V. & VI. — Exports and Imports at Calcutta. — Silver prices.
	100 = 60·84d. per oz.	Pounds sterling.	Pounds sterling.	Ounces silver.	Rupees.	Rupees.	Rupees.
1865 to 1869	100	100	100	100	—	—	—
1870......	99·6	96	87	87	—	—	—
1871......	99·7	100	83	83	—	—	—
1872......	99·2	109	91	91	—	—	—
1873......	97·4	111	95	96	100	100	100
1874......	95·8	102	93	95	108	102	105
1875......	93·3	96	90	94	96	100	98
1876......	86·7	95	87	95	90	100	95
1877......	90·2	94	88	93	105	93	99
1878......	86·4	87	81	91	100	88	94
1879......	84·2	83	71	87	101	85	93
1880......	85·9	88	82	95	107	89	98
1881......	85·0	85	77	91	100	86	93
1882......	84·9	84	78	91	93	86	89
1883......	83·1	82	75	90	89	83	86
1884......	83·3	76	72	86	92	80	86
1885......	79·9	72	68	82	85	77	81
1886......	74·6	69	65	84	88	78	83
1887......	73·3	68	66	87	85	81	83
1888......	70·4	70	72	98	86	93	89
1889......	70·2	72	71	101	102	92	97
1890......	78·4	72	72	98	101	91	96
1891......	74·1	72	72	90	92	89	90
1892......	65·4	68	69	95	105	89	97
1893......	58·3	68	68	107	104	104	104
1894......	—	—	67	129†	—	—	—
Dec. 31, 1893..	52·2	67	—	—	—	—	—
Jan. 31, 1894..	50·6	65·8	—	—	—	—	—
Feb. 28, 1894..	45·6	65*	—	—	—	—	—

* Mr. Sauerbeck's figures for February 28, 1894, namely 45·6 and 65, would give 142 for the index number of silver prices in London, against 100 in the years 1865-69. This is at $27\frac{3}{4}$d. per ounce of silver.

† The price of bar silver on January 1, 1894, was $31\frac{1}{2}$d. per ounce.

‡ The rupee prices are taken in January July and in each year. The figures for 1893 are for the month of January.

The interpretation of the figures in this Table will make the issue perfectly clear as between those who lament that the gold standard was not introduced into India before 1873, and those who rejoice that it was not so introduced. The fall in gold prices from £100 which is the average of the prices of commodities according to Mr. Sauerbeck and to *The Economist*, during the years 1865 to 1869, to £67 at the end of 1893, is a fall in prices of 33 per cent., against 32 per cent. at the end of 1892. It will be seen that at the end of January Mr. Sauerbeck's figures had further fallen to 65·8, and at the end of February to 65; so that in the months of January and February the fall in gold prices amounted to 3 per cent. But in column IV. the prices are stated of *The Economist's* commodities as valued in London in bar silver, taking 100 ounces of silver as the average amount required from 1865 to 1869 to purchase a certain quantity of each of the articles in the same way as £100 has been taken for the gold prices. It will be seen that, except in 1889, when the figures of *The Economist* rose to 101 ounces, during the whole period from 1870 to 1892 fewer ounces of silver would purchase the same articles, and thus during all those years silver purchased in London more of the leading commodities than it did from 1865 to 1869. In October 1892, however, 105 ounces of silver were required to purchase the articles, while only £67 were required in gold. On January 1, 1893, 107 ounces of silver were required. It is evident, therefore, that the average gold prices of commodities had fallen in the proportion of 100 to 68 on January 1, 1893, while the average prices in London in silver had moved in the proportion of 100 in 1865-1869 to 107 on January 1, 1893. At the end of 1893, however, the index number of silver prices in London had risen to 129, under the combined influence of the closing of the Indian mints and the suspension of purchases of silver by the United States. Mr. Sauerbeck's index numbers for February 28, 1894, would give an index number of silver prices in London of 142, against 100, in 1865 to 1869.

The Indian index numbers tend to establish the same general result as the silver prices in London. The average index numbers of the two columns of exports and imports at Calcutta show that in the 20 years from 1873 to 1892 silver purchased in India, except in 1874, a larger quantity of commodities than it did in 1873, and it was only in January, 1893, that silver showed that it was slightly depreciating, that is that silver prices rose a little above the level of 1873. It is necessary to point out, however, that the Indian prices are those at Calcutta, a port in communication with the markets of the world. There is no doubt that there have been great fluctuations in the prices of merchandise at interior points in India, where the extension of railways and other facilities of transport have tended to raise the silver prices of goods for export, and to lower the silver prices of articles of import, but these causes have not to any extent affected prices of exports at Calcutta, where the prices to be obtained in the markets of the world have been the dominant factor.

The above figures determine with absolute conclusiveness that if before 1873 India had passed on to the gold standard, as was urged by leading Indian officials, the result would have been disastrous beyond conception. A glance at columns II. and III. will show the movement in gold prices from £100 to £65, a fall of 35 per cent. There is this further consideration, that if India had adopted the gold standard, it would have been an additional country requiring a share of the limited amount of gold in the world, and India's demand for gold for currency would have lowered gold prices still further than 35 per cent. The Indian cultivator would have been compelled to submit to a fall in the prices of his produce of more than 35 per cent., and that would have been an incalculable disaster both for the people and for the Government of India. The Indian people must inevitably have passed through similar experiences to those of England, Scotland and Ireland in the last twenty years. During that period rents in Ireland have fallen by successive stages, and not only have Government Commissions fixed fair rents only to break through them as prices fell lower and lower, but enormous arrears of rent have had to be swept away as it was hopeless to expect they could ever be paid out of the reduced prices. In Scotland the Crofter difficulties have been similar to those of the tenant farmers of Ireland, and in England and Scotland the letting value of lands has been very greatly reduced. Concurrently with all this distress and disaster among tenant farmers, the landed classes of the United Kingdom have been seriously impoverished and a large proportion of them ruined. Now at the root of all this national disaster there has been but one cause, namely, continually falling prices, and only one remedy could have warded off this widespread im-

poverishment to all those concerned in the agricultural industry, and that remedy was a continuance of the former range of the prices of agricultural products, or at least of prices not seriously lower. The contraction of the volume of money in gold standard countries rendered the maintenance of the former range of prices impossible, and, therefore, this gold contraction has carried in its train paralysis of trade and industry and widespread national disaster in this and other gold countries. Had India been unfortunate enough to have adopted the single gold standard before 1873, the Indian people must have had to endure much greater loss, privation and distress than our people have ever had to submit to, seeing that they are much more generally engaged in agriculture, and much nearer the starvation point than the population of these islands.

But India was saved by its silver currency from the miseries that would inevitably have been its lot, if it had adopted gold. A glance at column VII. will show that the average of Indian exports and imports from 1875 till 1892 was valued at fewer rupees than in 1873 and 1874, so that, in regard to commodities, silver was appreciated, and it was only in the year 1892-3 that depreciation of silver set in to an extent which, however, was quite insignificant. In the period between 1875 and 1892, therefore, Indian prices were lower than in 1873 and 1874, and the inference from this, and from the imports and coinage of silver in India, is that during that period India did not receive sufficient silver to maintain the level of the prices of 1873 and 1874, though it received a considerable amount. In the year 1892-3, Indian prices rose above the level of 1873, and thus the increased imports and coinage of silver in India in 1890, 1891, and 1892, began to have their natural effect by raising prices from 90 in 1890-1, to 104 in 1892-3. Incalculable disasters have followed the fall in gold prices in this country from 100 to 65, while a very high degree of internal prosperity has followed the comparative steadiness of Indian prices from 1873 till the present time. The populations, therefore, the products of whose industry have been rated in gold money, have had to pass through a period of depression and impoverishment unparalleled since before the gold discoveries in 1849, and the distress is at present more severe than ever. On the other hand, the populations, like those of India, whose products have been rated in silver money, have pursued the even tenor of their way, in the enjoyment of a fair average range of prices that conferred upon them a degree of comfort and prosperity that would have been impossible if they had had the gold standard.

The Financial Difficulties of the Indian Government.

While the Indian people have prospered under their silver-money system, they have had one serious financial difficulty with which to contend. The average silver prices of their products continued fairly steady, but owing to the increased purchasing power of gold, when their gold obligations in London had to be discharged, they had to give a much larger number of rupees than formerly to pay off a given amount of sterling. The following Table will show how the increased purchasing power of gold over silver operated.

India Council Bills.

Years ended March 31.	Average rate of Exchange on Bills Drawn on India.	Amount received in sterling.	Amount of Bills drawn in London in Rupees.	Additional amount required to be drawn as compared with Exchange at 2s. the rupee
	s. d.	£	Rx.	Rx
1869..	1 11·197	3,705,741	3,834,000	128,259
1870..	1 11·267	6,980,122	7,200,000	219,878
1871..	1 10·495	8,443,509	9,008,500	564,991
1872..	1 11·126	10,310,339	10,700,000	389,661
1873..	1 10·754	13,939,095	14,702,500	763,405
1874..	1 10·351	13,285,678	14,265,700	980,022
1875..	1 10·156	10,841,615	11,743,700	902,085
1876..	1 9·625	12,389,613	13,750,000	1,360,387
1877..	1 8·508	12,695,799	14,857,512	2,161,713
1878..	1 8·791	10,134,455	11,698,500	1,564,045
1879..	1 7·794	13,948,565	16,912,361	2,963,796
1880..	1 7·961	15,261,810	18,350,000	3,088,190
1881..	1 7·956	15,239,677	18,327,700	3,088,023
1882..	1 7·895	18,412,429	22,210,935	3,798,506
1883..	1 7·525	15,120,521	18,585,659	3,465,138
1884..	1 7·536	17,599,805	21,621,546	4,021,741
1885..	1 7·308	13,758,909	17,102,212	3,343,303
1886..	1 6·254	10,292,692	13,532,537	3,239,845
1887..	1 5·441	12,136,279	16,700,315	4,564,036
1888..	1 4·898	15,358,577	21,812,993	6,453,822
1889..	1 4·379	14,262,859	20,899,122	6,636,263
1890..	1 4·566	15,474,496	22,418,664	6,944,168
1891..	1 6·089	15,969,034	21,186,930	5,217,697
1892..	1 4·733	16,093,854	23,082,811	6,988,958
1893..	1 2·982	16,532,215	26,478,415	9,946,200

It will be seen, therefore, that the loss that India has sustained by the gradual increase in the purchasing power of gold, as shown in the column of "Additional amount required," has compelled the Indian Government to raise additional amounts by taxation until, in the year ending March 31, 1893, the additional amount to be raised on this account reached the enormous sum of Rx. 9,946,200, or £9,946,200 at the former rate of 2s. per rupee. If the rate of exchange is not to-day at or near 2s., it is not the fault of silver, which has been in nearly adequate supply for the maintenance of Indian prices, and so has proved in the last 20 years an excellent standard of value. The fault in the absence of bimetallism has been in gold, for which in the last 22 years there has been an enormous new demand by countries formerly using little or no gold, without anything approaching to a corresponding increase in the supply. Besides the additional burden which the contracted gold currency in this country has thrown upon India, serious losses have been inflicted upon the Indian officials, owing to the diminished gold value of the rupee, and upon all those who have money to bring home from India. It may also be noticed that rupee paper, which stood at par both in India and in London 20 years ago, is still at par in India in rupees, but in London its gold price has fallen with the fall in the gold value of the rupee. On the other hand, the gold price of silver fell from 100, in 1865-69, to 65·4 in 1892, to 52·2 on December 31, 1893, and to 45·6 on February 28, 1894.

The Indian Government had, as will be seen, to pay in London, during the financial year 1892-3, the sum of £16,532,215, and in consequence of the increased purchasing power of this amount of gold, instead of raising Rx. 16,532,215, the amount it would have required had the rupee continued at 2s., it had to raise at 1s. 2·982d. Rx. 9,946,200 in addition, making in all Rx. 26,417,415. The Committee of 1892-3 on the Indian currency, in referring to the probable further fall in the gold value of silver, state the case as follows:—"Such a fall would, it may be said with practical certainty, reduce the exchange to about 1s. per rupee, and involve the necessity of raising at least Rx. 6,612,000 more than would be required by the Government of India to effect, even at the rate of exchange of 1s. 3d. per rupee, a remittance of the amount drawn last year, namely, £16,530,000, while the payment of £19,370,000, which is the present estimate of the drawings for 1893-94 would, at 1s. 3d. per rupee, require Rx. 30,992,000, and at 1s. per rupee, Rx. 38,740,000, involving an increase of Rx. 7,748,000." It was this danger of the gold value of the rupee falling to 1s. that induced the Committee to consent to the new monetary policy. It is not contended that all these large amounts of difference between the rupee at 2s. and the lower rates, are loss to the Indian Government, as a certain proportion relates to transactions entered into at lower rates, but by far the larger proportion of the additional amounts needed is actual increase of the burden of taxation.

The raising of these enormous additional amounts by a poor country like India was a formidable addition to its difficulties, while new sources of taxation were not available, and the existing sources had been drained to nearly as great an extent as the Indian Government considered to be consistent with safety. They believed that in the future the additions to the number of rupees that would be required to discharge their gold obligations would become greater and greater, owing to the increase in the purchasing power of gold, and they felt convinced that at no distant date India would be face to face with bankruptcy. Entertaining these views, they abandoned the policy of mere protest and inactivity, and determined that the time had come to enter upon a policy of action, so as, if possible, to ward off the danger of those not very remote contingencies that threatened India with incalculable financial and political disaster.

The Monetary Proposals of the Indian Government.

The Government of India, on March 23, 1892, addressed a despatch to the Secretary of State urging him to give his strongest support to any proposal that might be made by the United States, or any other Government, in connection with an international agreement for the free coinage of gold and silver. The opinion was expressed that the United States would sooner or later be driven either to the adoption of a silver standard or to the abandonment of its purchases of silver. The Indian Government, therefore, urged that in view of the possible action of the United States the subject should be considered in all its bearings, with the view of protecting Indian interests against the further decline in the gold value of the rupee. On June 21, 1892, the Indian Government sent another despatch announcing that they had heard with satisfaction that her Majesty's Government had accepted the invitation of the United States to take part in an international conference to consider measures for the more extended use of silver as currency. At the same time they expressed their regret that the conference was not summoned for the purpose of considering the adoption of an international agreement for the free coinage of gold and silver, making both gold and silver coins legal tender at a definite ratio. In their opinion a limited increase in the quantity of silver used as currency would exercise only a very trifling influence, if any, in raising the gold price of silver, or in preventing it from falling. In the far more important matter of preventing fluctuations in the gold and silver exchanges and in the relative values of the two metals, it would be wholly without effect. They further regretted the strong opposition to the introduction of the use of silver and gold on equal terms manifested by the British Government, because they believed that no other country would benefit so greatly by a uniform standard of value throughout the civilized world as Great Britain with its vast system of trade and finance, and because the final rejection of an international agreement would place India in greater financial difficulties than ever. They felt by no means confident as to the Conference arriving at a satisfactory conclusion, and if it proved a failure, and a direct agreement between India and the United States was found to be unattainable, they believed their policy ought to be at once to close their mints to the coinage of silver for private holders, and to make arrangements for the introduction of a gold standard.

Accompanying the despatch of June 21, 1892, was a minute by Sir David Barbour, dealing with the details of the new monetary proposal. He estimated that the active rupee circulation, that is, all the rupees that at some period of each year are used as money, amounted to Rx. 115,000,000 as distinguished from the remainder of the existing rupees in India, including hoards. To withdraw all these, melt them down and sell them in order to introduce a purely gold currency of about £77,000,000, was in his opinion impossible, and, even if it were possible, gold coins would be of too great value for the vast majority of Indian transactions. The great bulk of the Indian currency must continue to be silver rupees. The only measures for the introduction of a gold standard that he regarded as feasible were the following:—

(1) The first measure would be the stoppage of the free coinage of silver, Government retaining the right of purchasing silver and coining it into rupees.

(2) The next measure would be to open the mints to the free coinage of gold. Any person bringing gold to the mints would be entitled to have it coined into gold coins which would be legal tender to any amount. It would be desirable to stop the free coinage of silver some time before opening the mints to the free coinage of gold. It would be a valuable guide to the Government in subsequent proceedings to know exactly what effect the stoppage of the free coinage of silver had on the gold value of the rupee.

In considering the question of the ratio to be adopted between gold and silver, his opinion was that they ought not to think of going back to the old ratio of 1 to 15½. Neither ought they to adopt the very lowest price to which silver might have fallen at any time, nor be bound to accept the market ratio at the time the change might be made. A ratio based on the average price of silver during a limited time before the introduction of the gold standard would probably be both the safest and the most equitable. In his illustrations of the probable operation of the new proposals, he supposes the gold value of the rupee to be fixed at 1s. 4d. thus making 10 rupees in gold equal to 160 pence or two-thirds of a sovereign. The rupee would be raised to 1s. 4d. by contraction of the currency, and the prospect of being unable for a time to effectively establish the gold standard need not, therefore, deter the Government from the attempt to do so if they saw a prospect of success in the future. He intimated that he had changed the opinion he formerly held, and now doubted very much whether rupees would be largely brought out of hoards. He considered that even with a gold standard an increase of the silver rupee currency would be required every year, and that increase he placed at not less than Rx. 1,000,000 and it might be twice or three times as much. While the reduction of the rupee currency was in progress there would not be an effective gold standard, but he expected that even during that period the exchange with England would be much steadier than it had been during the last few years. He estimated that £15,000,000 of gold would be sufficient to maintain the gold standard, and he regarded it as probable that the sub-

stitution of a gold standard for a silver standard would lead to an increased use of gold, instead of silver, for hoarding. He refused to accept the theory that on the introduction of a gold standard a great deal of the gold that is now hoarded or held in the form of ornaments would be brought to the mints, coined and put into circulation.

After the appointment of the committee to which reference will immediately be made the Viceroy, in a telegram dated January. 22, 1893, informed the Secretary of State for India that the Government proposed to take power to issue a notification declaring that English gold coins should be legal tender in India at a rate of not less than 13⅓ rupees for a sovereign, that is at the rate of 1s. 6d. per rupee.

The Committee on the Indian Currency.

The Home Government had thus to accept the responsibility of deciding as to whether the Indian Government should be permitted to carry out their monetary proposals, the chief of which was the closing of the mints, in the event of the conference, which was to meet at Brussels on Nov. 22, 1892, proving abortive. On October 21 Lord Kimberley, Secretary of State for India, invited Lord Herschell to preside over a committee for the purpose of considering the proposals of the Indian Government, and the Committee included, in addition, Mr. L. H. Courtney, M.P., Sir T. H. Farrer, Bart. (now Lord Farrer), Sir R. E. Welby, Sir A. Godley, General R. Strachey, and Mr. Bertram W. Currie. This Committee took a large amount of evidence which, along with a considerable mass of valuable statistics, and of documents dealing with a great variety of related subjects, was printed in a volume by themselves. The report of the Committee itself is very elaborate, and the conclusion at which they arrive is that they cannot advise the Secretary of State for India to overrule the proposals of the Indian Government for the closing of the mints, and for the adoption of a gold standard. They consider, however, that the following modifications are advisable, namely, that the closing of the mints against the free coinage of silver should be accompanied by an announcement that, though closed to the public, they will be used by the Government for the coinage of rupees in exchange for gold, at a ratio to be then fixed, say 1s. 4d. per rupee, and not at 1s. 6d., as proposed by the Government; and that at the Government treasuries gold should be received in satisfaction of public dues at the same ratio.

In the section of the report dealing with the "Effect of Fall in Exchange on the People of India and its Commerce," there are some points that call for notice. The Committee state their views thus :—

> "In estimating the effect upon the people of India of its being necessary to raise an increased number of rupees to meet the sterling remittances of the Government of that country, it must be borne in mind that the extent of the burthen imposed upon the people of India by these remittances is measured by the quantity of produce which they represent, for it is by export of produce that the debt is in reality discharged.
>
> "In so far as the necessity of exporting more produce arises from the circumstance that gold prices are lower, the people of India are in the same position as those of Australia, or any other country which has to export produce for the purpose of paying the interest on its gold debt. The question to be considered is, what effect has the fall in exchange upon the amount of produce which must be exported to meet a given gold liability? To determine this, the gold price of the produce must be assumed to be stationary. When silver falls in relation to gold the greater number of rupees which is required to meet a given gold payment will not represent a greater quantity of produce than before, if the silver price in India of the produce exported responds to the changed value of silver in relation to gold, *i.e.*, if it has risen, or has been prevented from falling. Silver prices must ultimately thus respond, although an interval may elapse before the correspondence is complete; and during this time, whilst more produce is exported, the Indian ryot is getting proportionately less in silver for his produce."

The fact is indisputable that the Indian Government have been compelled, owing to the fall in the rupee exchange, to raise an increasing number of rupees by taxation to meet their gold obligations. It is equally indisputable that the burthen thus imposed is measured by the quantity of produce that has to be sent to this country to discharge these gold obligations.

But what has happened is not a fall in silver in its relation to gold, but a rise in gold in relation to silver; and the change being in the gold and not in the silver, there has been no rise in silver prices that would cause a larger number of rupees to be required to purchase and export the same amount of produce. In the Report of the Committee reference is made in several passages to silver, as if for many years

it had been a depreciating and was now a useless metal; and the whole of the Report is written from this mistaken point of view. A glance at the silver prices of Indian exports in the foregoing Table will show that the average prices of commodities were lower during most of the period from 1873 to 1893 than they were in 1873 and 1874, so that India had to send a largely increased quantity of produce of which even the silver prices were lower than formerly, and thus it had during the greater part of these twenty-one years to meet the double financial embarrassment of a continually falling rate of exchange and a slight fall in silver prices as well, the fall in Indian prices being due to deficiency in the supply of silver offered at the Indian mints. Mr. J. E. O'Conor states in his note on "Levels of Prices"* that generally it may be said that, with the exception of rice (which has shown a distinct upward tendency since 1887) and jute, all the important staples of the export trade have either not increased or have fallen in price." The point to be kept clearly in view is that under a gold standard in England and a silver standard in India, gold prices and silver prices had no relation to each other; they rose and fell independently, each within the orbit of its own influences, just as paper rouble prices do in Russia, paper dollar prices in the Argentine Republic, and as under the closed mints rupee prices now do in India. Owing to the large additional demand for gold in the last twenty-two years, gold has become relatively much scarcer than formerly, that is, gold that ought to have come to this country has gone to other countries that did not formerly possess gold currencies, and there is thus less gold than formerly in the gold countries, while at the same time the volume of its uses has been greatly enlarged owing to increasing population and expanding trade and industry.

It is a very widely-accepted view that the tendency of a falling exchange is to stimulate exports, and the Committee state that "although one may be inclined, regarding the matter theoretically, to accept the proposition that the suggested stimulus would be the result of a falling exchange, an examination of the statistics of exported produce does not appear to afford any substantial foundation for the view that in practice this stimulus, assuming it to have existed, has had any prevailing effect on the course of trade; on the contrary, the progress of the export trade has been less with a rapidly falling than with a steady exchange." It is frequently asserted that Indian exporters have received a bonus in consequence of the falling exchange. The late Mr. Bagehot and other leading writers have strongly insisted on this as beyond all dispute. But this is one other phase of the misconception that has prevailed, and still prevails, as to what has happened. A bonus on the sale of an article is something that is received by the seller in addition to the ordinary price. On the theory that silver prices had risen in consequence of, and in correspondence with, the falling exchange, it has been argued that there must, therefore, be a higher price than the former price, and this addition in price, supposing it to exist, is called a bonus. But there is no basis for this theory. Silver prices did not rise in India with the falling exchange, in fact, they fell, to some extent, as will be seen in the foregoing Table, and as was amply proved before the Gold and Silver Commission. It will hardly be contended that there is any stimulus to exports in lower prices, and thus Indian exporters received no advantage whatever when the exchange was falling. Of course, fluctuations in exchange may give opportunities for profit, but they also give opportunities for loss. There is, therefore, no ground whatever, theoretical or practical, for the assumption of a stimulus to general exports from India owing to the falling exchange during the last twenty years, except, perhaps, in the last year or two.

What really happened was this. To the Indian exporter the gold rate of exchange kept falling, and at each fall in the rate he got approximately the same number of rupees as formerly, by selling his bills on London for a smaller and smaller amount in sterling as the rate fell. Now if, contrary to the fact, the gold prices in London of Indian produce had remained stationary, the fall in the rate of exchange would have led to a rise in the rupee prices of Indian exports, and that would have given a stimulus to exports. That is, if the gold prices of Indian produce had remained stationary in London, and the gold value of the rupee had fallen, the change that caused the fall in the rate of exchange would have been depreciation of silver, and not appreciation of gold, and the views of Mr. Bagehot and others would have applied to that case. But, unfortunately for this theory, the gold prices of Indian produce in London

* Report of the Committee on the Indian Currency, Appendix I., page 162.

fell just about as rapidly as the gold rate of exchange until very recently, showing beyond the possibility of a doubt that the change was in gold and not in silver. As the change was in the purchasing power of gold, and not in the purchasing power of silver, as, therefore, gold prices fell and silver prices remained comparatively stationary, there was no stimulus given to Indian exports.

It is true, however, that the fall in gold prices, without a corresponding fall in the whole of the factors entering into the cost of production of commodities in this country and other gold standard countries, placed producers under the gold standard at a disadvantage as compared with the producers under the silver standard, and thus the British producers were under a disadvantage in comparison with the more fortunate Indian producers. But the manufacturers of cotton goods and jute goods in this country were by the falling exchange placed also in a very disadvantageous position as compared with their competitors in India, particularly the jute manufacturers, as their raw material is produced only in India, and this gives the Calcutta manufacturers an exceptional advantage. It ought to be mentioned, however, that most of the capital invested in jute mills in Calcutta has been derived from British sources. As the manufacturers of cotton goods in India are now handicapped with a lower rupee exchange in their trade with China and Japan, they are at a disadvantage as compared with cotton manufacturers in China and Japan, and the latter have now an advantage over Indian manufacturers. The prices of cotton goods in China and Japan will rise, and this will benefit the Indian manufacturers, but the manufacturers in these countries will receive an advantage as compared with those in India, as their expenses will not increase to the extent of the rise in prices, and this advantage will be something in the nature of a bonus derived from these currency changes.

India only suffered in connection with its gold obligations and other gold transactions, and in no sense whatever in connection with its silver or rupee obligations. But the strange thing, after 17 years of debates in Parliament and investigations by Commissions and Committees, is that the British Government still takes but one view, and that is, that all the disturbances are due to depreciation of silver, whereas it would be difficult to find the slightest ground for this view, and impossible to disprove that nearly the whole of the disturbance is due to the appreciation of gold.

The Closing of the Mints.

The Home Government having empowered the Indian Government to close the mints in terms of the recommendations of the Committee on Indian Currency, the Legislative Council met at Simla on June 26th, 1893, and at a single sitting passed the Bill for carrying the proposals into effect. The only material change that was made in the original proposals of the Indian Government was that gold should be received at the Indian Treasuries, and rupees exchanged for it at the rate of 1s. 4d. per rupee, instead of 1s. 6d. The avowed object of the new proposals being to arrest the further fall in the gold value of the rupee, rather than to raise it, the price of 1s. 4d. per rupee was thought by the Committee to be a sufficiently high limit, and the Indian Government agreed to this. It must not be supposed, however, that there is anything magical in 1s. 4d. It is merely a figure named for the present to define the limit beyond which the gold value of the rupee cannot rise under the present arrangement, and, therefore, it serves the purpose of confining the possible effects of the contraction of the currency within definite and restricted limits.

The Indian mints then were closed because of the enormous additional loss that might have fallen upon the Indian Government, with its mints open, if the United States had suspended their purchases of silver. There are two serious objections that can be urged against the policy of closing the mints. One objection is that the sudden suspension of coinage was a terrible mistake, considering that there was no certainty whatever that the United States would suspend their purchases of silver. I called it at the time a "colossal outrage" perpetrated on the United States, France, Belgium, Italy, Holland, and Spain, not to speak of China, Japan, and Mexico, which had been the friends of India during the last ten years in endeavouring to get bimetallism restored. It is true that there was a movement in the United States in favour of reducing the amount of the silver to be purchased. The policy, therefore, of suddenly closing the Indian mints forced down the price of silver, and made the position of the United States as the purchasers of 54,000,000 ounces per annum

so untenable that the purchase clauses of the Sherman Act were repealed. The Indian Government might have intimated to the United States, France, and Germany that if no bimetallic arrangement could be arrived at the Indian mints would within a certain time be closed. In this way the Government would have taken advantage of their authority to close the mints to force a renewed consideration of the question among the leading Governments. It is worthy of mention that Sir David Barbour, as we now know, was opposed to the sudden closing of the mints without any opportunity being given to the leading Governments to consider their position in view of the prospect of the mints being closed.

The second objection is not to the closing of the mints suddenly, but to the policy of closing the mints at all. Sir D. Barbour takes the view that the Indian Government should not have anticipated a decision in the United States adverse to silver. The power to close the mints in the hands of the Indian Government might have failed to bring about a bimetallic arrangement, but it would in all probability have led the United States to continue their purchases of silver though it might be on a reduced scale, and perhaps France might also have taken some steps in the direction of purchasing silver. To the Indian Government the responsibility of deciding between closing the mints and keeping them open was one involving the gravest issues, and under either policy the Government had to confront most serious difficulties. It can hardly be doubted that between the policy of closing the mints and of keeping them open they embraced the alternative most injurious to India, but it was the policy that seemed to the Government, in the event of the United States suspending their purchases of silver, to be most immediately available for their purposes, and gave greater promise than the policy of keeping the mints open, of enabling them to arrest the increase in their financial responsibilities which the further fall in the exchange threatened to bring upon them. Apart, however, from the effect on the rate of exchange, the policy was bound to produce such a serious dislocation both in the internal and external trade of India, that from the beginning it was freighted with disaster.

In the policy of taking steps to arrest the further fall of the rupee, and even of contracting the currency to 1s. 4d. per rupee, there is an explanation to be made which has been almost, if not altogether, lost sight of in the discussion of this question. After 1873, in which year the prices are taken at 100, and 1874 Indian silver prices (as will be seen from column vii. of Table of index numbers) fell to some extent, until January, 1893, when they rose to 104, showing that silver has had a higher purchasing power over commodities during the last 20 years than it had in 1873 and 1874. An examination of the statistics of Indian coinage* will show that the silver offered at the mints in the period from 1873 till 1890 did not increase sufficiently to maintain the level of prices of 1873 with expanding trade and increasing populations. In 1890-1 and 1892-3, however, the amount of silver offered at the mints increased, and it is, therefore, not surprising that prices at Calcutta, Bombay, and other Indian ports, have risen above the level of 1873. As I am considering currency changes only, I expressly exclude the prices in the interior of India from consideration, as exportable articles have in many districts risen in price, and imported articles have fallen, in consequence of improved communication, while I confine myself to prices at Calcutta and other ports in open communication with the markets of the world, and which are, therefore, less affected by local changes. It is evident now that while in the last three years gold prices have fallen, silver prices have slightly risen, and the index number of the prices of the year 1892-3 in India is 104, that is 4 per cent. above the level of 1873. For the first time, therefore, in 20 years, it is legitimate to assert that silver was slightly depreciated, but it cannot be said that in this slight rise there was any cause whatever for interference on the part of the Government. An examination of the coinage statistics in India will show that in the last three years there has on an average been a considerable increase of silver offered at the mints, and there are reasons for believing that if the Indian mints had remained open silver would have been offered in still larger quantity. The slight advance in prices beyond the level of 1873 might, therefore, have increased further, though except for the gold obligations of India, a moderate advance above the prices of 1873 would hardly have been noticed, and it would have been a slight benefit to the producing classes. The Indian Government may, however, fairly contend that notwithstanding occasional demands by

* See "The Currency Problem," by the present writer, in the *Journal of the Society of Arts* for February 3, 1893.

the Indian commercial communities during the last 16 years for the mints to be closed, if bimetallism could not be obtained, they refrained from yielding to these demands when silver was appreciated. But when prices had risen above the level of 1873, and silver was slightly depreciated, and promised to become more so, the reasons against contracting the currency to a small extent no longer existed, as the contraction even to 1s. 4d. was not likely to bring prices appreciably below the level of the prices of 1873, or so low as the average of the 20 years since 1873, namely 92, seeing that the average of rupee prices in January, 1893, was 104.

The policy of the Indian Government, however mistaken in its inception, may, therefore, with truth be said to have been calculated to arrest the depreciation of coined silver that had set in and threatened to become greater, and thus to keep Indian prices at or near the level of 1873. So that if the Indian Government should succeed in due time in getting the rupee raised to 1s. 4d., it is very improbable that this contraction of the rupee currency will lower prices to the level of the average of the last 20 years, during which the agricultural classes of India have enjoyed very great prosperity. There is one other consideration that ought to be presented. There is a probability that English prices will still further fall, that is, that gold, the purchasing power of which has increased about 50 per cent. since the years 1865 to 1869, will increase still further in purchasing power, and this will be shown in a further fall of gold prices. But at 1s. 4d., gold will have increased in purchasing power 50 per cent., as compared with silver when the rupee was formerly at 2s.; and thus while India may pass on to the gold standard at 1s. 4d., the adoption of that rate will fix Indian prices as compared with English prices at a level 50 per cent. higher than existed between them before 1873. Or to put it differently, when Indian prices are at 150, English prices will be at 100; that is, English prices will be 33 per cent. below the relative level between English and Indian prices before 1873. If after the exchange reaches 1s. 4d. Indian prices should fall in accordance with a fall in English prices, India will at least have been saved from the fall of 33 per cent. that has already taken place in English prices. To put the general result more clearly in figures, the rupee exchange at 1s. 4d. will have the effect of determining that whereas with the exchange approximately at 2s., £100 and 1,000 rupees were equal in purchasing power, the exchange at 1s. 4d. will cause £100 to be equal to 1,500 rupees, that is 50 per cent. added to 1,000 rupees, and all Indian prices will be 50 per cent. higher as compared with English prices than they were when the exchange was 2s. As however, the real change is in gold and not in silver, the true comparison is that whereas formerly with the rate at 2s. £100 and 1,000 rupees were equivalent, at the rate of 1s. 4d., £67 will be equivalent to 1,000 rupees, and these will have just about the same purchasing power as £100 and 1,000 rupees had in 1873. This fall of 33 per cent. in gold prices without practically any change in Indian prices, will be due solely and exclusively to currency causes, and will have nothing whatever to do with changes from any other causes. This will be perfectly evident when it is considered that it is the same articles that are valued in gold and in rupees, and, therefore, all changes due to other than currency causes are equally in the gold valuation and the rupee valuation. But gold having increased in purchasing power by 50 per cent. since 1865-69 as compared with rupees, rupee prices of commodities will at 1s. 4d. be 50 per cent. higher than gold prices of commodities as compared with rupee prices and gold prices of commodities 25 years ago.

The Effects of the Suspension of Coinage.

The last sale of Council bills before the closing of the mints was at 1s. $2\frac{3}{8}$d. with a downward tendency, and this was practically the value in gold of the amount of silver in the rupee. But the closing of the mints, and the shutting out of silver from coinage, deprived silver of its most important customer after the United States, and thus threw upon the remaining markets of the world, namely, the Straits, China, Japan, Mexico, Peru, and Bolivia, an increased supply. Silver immediately fell considerably below the rupee in price, because the silver shut out from India pressed upon the silver markets and lowered the price. In the meantime, the United States followed the example of India in abandoning silver, and suspended their purchases, so that this carried the gold value of silver to a still lower point. But it is worthy of record that, as India had for more than ten years urged bimetallism as the only satisfactory remedy for its financial troubles arising out of the increase in the purchasing power of gold, so the United States,

in the Bill repealing the purchase clauses of the Sherman Act, declared that, notwithstanding that repeal, international bimetallism was the avowed monetary policy of the United States. The first effect of the suspension of the Indian coinage was to reduce the volume of Indian exports and increase the volume of imports in the trade with silver countries. The marked fall in the rupee exchanges between India and silver-using countries like the Straits, China, and Japan, enabled produce from these countries to be laid down in India, where there was no fall in prices, much more cheaply than before. There was not immediately a rise of prices in these countries corresponding to the rapid fall in the rupee exchanges, though a rise in prices was certain to take place in a very short time. When the rise in prices took place the native producer got an advantage which must have stimulated exports, though his goods would not be laid down in India so cheaply as at the time immediately following the closing of the mints and the rapid fall in the rupee exchange with silver countries. This was the case of a falling rupee exchange owing to closed mints in India and increased supplies of silver in silver countries, without a sudden rise in silver prices. The consequence was, that exports were stimulated from the silver countries to India, owing to the fall in exchange without any change in the prices of goods in India, and imports from India were checked; or, to state it differently, imports from silver countries into India were stimulated, while exports from India to these countries were checked. The rise in prices in China and Japan would proceed faster than the increase in the cost of the production, and thus the producer would receive a benefit. The falling rupee exchange in India was, it is to be observed, however, a rising silver exchange in the money of the silver countries, and this is an illustration of the fact that a falling exchange is a rising exchange, depending upon the country in whose money the quotation of exchange is made. Then, owing to the limited amount of Manchester goods in stock in India, and the rise in exchange that took place in consequence of the Secretary of State for India refusing to sell his bills except at a higher price than he could command, there was a large importation of Manchester goods into India.

The increased imports into India from silver-using countries and the check on the exports to those countries was a direct effect of the sudden fall in the rupee exchanges between those countries and India. On the other hand, as the India Council bills, which ought to have been sold at the rate of about £360,000 a week, were withheld almost altogether, this produced an enormous derangement in the former regular movement of trade and finance, and raised the Indian sterling exchange above its proper level. It is hardly necessary to point out that since the closing of the mints there has been no effective rate of exchange with India until within the last few weeks, when the Secretary of State agreed to take the market rate. In these few weeks increasing amounts of Council bills have been sold. There was, therefore, in simultaneous progress, the enormous derangement of the trade between India and silver-using countries, stimulating imports into India and discouraging exports from India to these countries, and the further enormous derangement produced both in the trade with gold countries and silver countries by the withholding of the Council bills to which the trade and finance between India and other countries had adapted themselves, and on which reliance was placed for the normal continuance of trade. It is evident that the mere suspension of coinage in India, and the declaration of the intention to establish ultimately a gold standard, did not in themselves produce any immediate change of moment in India itself. The coinage was suspended when the exchange was at 1s. $2\frac{3}{8}$d. and from that moment the link between the rupee and silver was broken. How it could have been expected that the rupee currency, rated at 1s. $2\frac{3}{8}$d. in gold, should immediately admit of the rupee being rated at 1s. 4d., it is difficult to understand. If the mints were closed in order to prevent further additions to the rupee circulation which would have increased its volume and lowered the gold value of the rupee below 1s. $2\frac{3}{8}$d., that was no reason for expecting that, without contracting the rupee circulation, the gold value of the rupee should suddenly rise from 1s. $2\frac{3}{8}$d. to 1s. 4d.

The Indian Government committed an enormous mistake in closing the mints in hot haste as soon as they had received discretionary authority to do so from the Home Government, without attempting to use the fact of this authority having been granted, in order to endeavour to secure with the leading Governments some monetary arrangement which might have saved India from the painful necessity of closing its mints, and of thus introducing endless changes in the channels of

its home production and the direction and character of its trade with outside countries. Had it failed to secure some such arrangement, and had the United States taken the exceedingly improbable step of entirely suspending its purchases of silver, the question of closing the mints would have been one against which fewer objections could have been raised. But the second blunder that the Indian Government committed was in giving any countenance whatever to the theory that the rupee worth 1s. 2⅝d. could suddenly become worth 1s. 4d. The third blunder, and one most disastrous in its consequences, was in refusing, in deference to the theory that they ought to get a higher rate for their bills, to sell at the market rate, and thus, by withholding their bills, disturbing the exchange market, destroying the former balance between imports and exports, and dislocating in every direction the external trade of India. In addition, the withholding of the Council bills had another serious result. The amount of rupees derived from taxation for the purpose of meeting the Council bills, for a value of about £360,000 per week, accumulated in the Indian treasuries, and as this went on from month to month, it gradually withdrew increasing quantities of rupees from circulation, and ultimately produced a serious stringency in money in India. The rate of discount in Calcutta and Bombay rose from 5 to 10 per cent., and thus the difficulties of the producers, merchants, and the Government were immensely aggravated.

In the meantime the divergence between the gold value of the rupee and the gold value of silver went on increasing, and the effect of this was to offer a considerable benefit to the holders of rupees as against the holders of silver. The consequence was that from countries like the Straits, Zanzibar, Mauritius, &c., where rupees were circulating as silver coins in competition with other silver coins, the increased value of the rupee caused rupees to be returned to India, and thus the Indian currency was increased in volume. The demand for Mexican dollars to take the place of the rupees flowing back to India from outside countries raised the price for a time as high as one penny per ounce above their normal price, as compared with bar silver. Further, it is alleged that rupees have also come out from hoards in India and been replaced by silver, and thus the rupee currency has been increased to an indefinite extent, and the difficulty now is to judge what proportion of the fall in the exchange below 1s. 2⅝d. is due to the increased amount of rupees added to the circulation since June 26, 1893, and what proportion to the derangement of trade and the complete chaos to which Indian trade has been reduced, and from which it cannot emerge until the Council bills are disposed of, and the trade finally settles itself under the new conditions.

One of the expedients advocated for the purpose of strengthening the rate of exchange was to impose a high import duty on silver. The Indian Government had this proposal under consideration, but they came to the decision that no such duty should be imposed. This import duty was not at first considered as an adjunct to the closing of the mints, though it was put forward as an alternative policy. The Indian commercial communities, having urged the closing of the mints and the fixing of a maximum at which rupees would be exchanged for gold, and finding that there was no possibility of the rate rising to the maximum limit, insisted that a duty should be placed upon the imports of silver. Had this duty been imposed it would only have created another series of dangerous conditions by giving to silver in India a price 15, 20, or 25 per cent. above its value in the other markets of the world. Even when this new series of violent changes had been made, there might have been some temporary effect on the gold value of the rupee due to speculation, but unless the duty had been carried so high that it would have been the wildest flight of adventurous finance, it would, after a brief period of feverish excitement, have had no effect whatever on the rupee currency or on the rate of exchange. Indeed, the duty could only have affected the rupee currency if it had carried the gold price of silver above the gold value of the rupee, and thus have offered a profit on the melting of rupees. Of all the wild schemes of finance conceivable this would have been one of the most extraordinary. The import duty would thus in turn have been bound to fail after having forced endless speculation, and the wildest but most unfounded expectations. The effect, however, of this belief that a duty would be imposed on silver was to force forward large shipments of silver to India, and now that all hope of any high duty is abandoned, the accumulation of speculative silver is depressing the gold value of silver in the markets of the world.

But it is now announced that the Indian Government will impose an import duty of 5 per cent. for revenue purposes on silver and some

other articles. This is not an occasion for a discussion on the policy of import duties, but as silver is so mixed up with the rupee in people's minds, it is the only article of import into India on which it is of the utmost importance that no duty should be imposed. One supreme object now in trying to return to the normal course of trade is to remove all uncertainty as far as possible from the rupee and from silver, whereas the introduction of an import duty will create a difference in price for silver in India from that in the Straits, China, and Japan, and will thus produce a disturbance that will be but very insufficiently compensated by a small revenue to the Indian Government. The announcement just made that this import duty is to be imposed for revenue purposes will now make a higher gold price for silver in India than in China and other silver countries, while the rupee will be much higher still.

The next disturbing expectation that most seriously affected the gold value of the rupee was that the Government were about to re-open the mints to silver. It is easy to see that this expectation worked serious injury, because the rate of exchange that might rule with the mints closed, could not be maintained if the mints were re-opened. In the latter case the rate of exchange was bound to fall, and thus the uncertainty as to this further fall was bound to keep the rate weak, and make it more difficult for the Secretary of State to sell the Council bills. There are, therefore, four causes that have tended to defeat the new policy, namely—(1) The fixing of a limit of 1s. 3¼d. for the Council bills, and the refusal to sell the bills at market rates; (2) the consequent dislocation of Indian trade with both the East and the West, and the fading out of the surplus exports; (3) the coquetting of the Indian Government with the proposal to impose a high import duty on silver; (4) and the uncertainty as to whether the mints would be re-opened and the rate for Council bills lowered below the figure at which they could be sold if the mints remain closed. As between opening the mints and keeping them closed, now that the position has been so greatly altered for the worse since June 26, 1893, the policy most favourable to the Indian Government is undoubtedly the latter, unless they can persuade the British Government to adopt bimetallism, which would naturally be followed by a re-opening of the Indian mints. At the same time, it is evident that the Indian people will oppose any policy that calls for additional taxation that can possibly be avoided, and the re-opening of the mints would call for further taxation. It is very probable, therefore, that the Indian mints will not be re-opened for the present, as both the Indian Government and the Indian people will be opposed to it.

The Balance of Indian Trade.

After having decided to close the mints, and thus dislocate, to the disadvantage of India, the trade with silver-using countries, it is difficult to understand why the Indian Government and the Secretary of State should have proceeded to strike the yet more serious blow at Indian trade by refusing to sell Council bills at the market price. This refusal was a second important cause of the dislocation of the external trade. The mere suspension of the coinage of silver ought to have had little or no immediate effect on India's trade with gold-using countries. But in order that no exceptional effect should have been produced in the interest of India, it was of the utmost importance that the trade should have been continued on the same general lines as formerly. The fact that the course of trade with silver-using countries had been seriously disturbed by the fall in the rupee exchanges with those countries, and that more than half of India's surplus exports were formerly sent to the Straits, China, and Japan, the position of India in regard to the maintenance of its surplus exports was thus already weakened, even if the sales of Council bills had been continued at the market price. The withholding, however, of the Council bills suspended the demand for surplus exports of the amount of £18,000,000, and thus dealt a staggering blow at the possibility of the Indian trade being continued on anything approaching its former normal lines.

Many of the witnesses before the Indian Currency Committee expressed the opinion that with the closing of the mints and the introduction of a gold standard into India the balance of trade might turn against India, and that then it would be impossible to sell Council bills. Some of the witnesses thought that it would be necessary for the Government to adopt measures for the preservation of a favourable balance of trade by the imposition of import duties, and that it might be necessary in connection with such a policy even to export silver rupees at their bullion value. Views were also expressed that silver and Council bills are the ultimate means by which India

balances its trade, and that thus if there was no favourable balance of trade there could be no sales of Council bills.

These opinions, therefore, imply that there is some danger of the Indian Government being unable, though with ample resources in its treasuries, to pay its indebtedness in England. This is indeed a somewhat novel position for a country to be placed in. The Indian Government are to be in possession of ample Indian money to pay in London all their indebtedness at the current rate of exchange, and this money is to be capable of purchasing commodities in India that can be shipped to this country, and yet the Indian Government are by some unexplained process to be debarred from using this money to pay their debts. I think we should look in vain for any such condition of things in the history of modern international indebtedness and modern commerce. It is a very common thing for a country to be unable to pay its debt because it has not the wherewithal to do so, but it is something unheard of that a country should have an overflowing treasury, and yet should have to proclaim *non possumus* to its creditors abroad.

The supposed danger is, in the main, imaginary. India will, under a token silver currency on the gold standard with or without a gold currency, be as able to discharge its indebtedness in England as if it had open mints. It will not require protective duties for currency reasons nor any arbitrary measure on the part of the Government to preserve a favourable balance of trade, nor will it be necessary to export rupees at their bullion value. It is assumed by many persons of authority that the selling of Council bills can only take place when a favourable balance of trade exists, and that, therefore, for this purpose a favourable balance of trade must be maintained at all hazards. But this view arises from a misconception of the *modus operandi* of international commerce and finance. In the present official year India ought to pay in London about £18,700,000. Since the end of June, 1893, the money has accumulated in the treasuries of India that was intended to be applied to the payment from time to time of this indebtedness. Up till the end of June there was a favourable balance of trade, and the Council bills were sold in due course. But it is a complete mistake to suppose that the favourable balance existed independently of the Council bills. The principal reason why there has always been a favourable balance for India is that there has always been Government or other indebtedness to be discharged in London. So far from the continually favourable balance giving the opportunity for selling the Council bills, the case is just the reverse. There would be no favourable balance independently of the Council bills, as, according to the statistics of Indian trade, if there were no Council bills, the balance of India's external trade would probably be unfavourable.

It will not be disputed that in the trade between two countries neither of which has incurred any indebtedness to the other, exports and imports would balance, so that practically there would not be in regard to either country a balance of either surplus exports or of surplus imports. But if one of the countries were to borrow from the other in order to build railways and make other improvements which would increase its resources, the annual payment of interest would have to be paid in surplus exports from the debtor country to the creditor country, and the principal would also have in due time to be repaid similarly in surplus exports. India is in this position of a debtor country. It owes £18,700,000 in the financial year 1893-94, and it ought to pay this amount in the course of the twelve months in surplus exports. There will be other balances from and to India, and movements of securities also that will modify the amount of the actual final balance. But India has to pay £18,700,000 of which we have exact knowledge, and we also know that this amount must come in exports of merchandise or perhaps to some extent in securities, or even in gold, except in so far as it may be counterbalanced by payments to be made from this country to India in connection with other business.

There is, however, one condition on which the movement of the surplus exports depends. If the payment of the £18,700,000, or of any portion of it, should, by agreement between the Indian Government and the Secretary of State for India, be arranged not to be made, then to the extent of the £18,700,000, or the agreed portion of it, there are no surplus exports needed. The condition, therefore, of the movement of surplus exports from India directly, or indirectly through other countries, to the United Kingdom is, that the amount being due in this country, payment of the amount shall be demanded. If it be not demanded, the surplus exports will not come. Now the process by which demand is made on India to pay its indebtedness to London is by the sale of Council bills. The Council bills once issued the Indian Government must pay,

and when the Indian Government hand over the rupees to the banks in exchange for the Council bills, the banks invest the rupees in bills drawn against shipments of exports, and thus India pays its indebtedness by surplus exports.

It is true that, if there is some serious and rapid change in the conditions of trade, like the rise in exchange from 1s. 4¾d. to 1s. 9d. in 1890, the foreign trade will be dislocated by the difficulty in rapidly accommodating the values of commodities to this change. And no doubt this would have been the case to a considerable extent, after the closing of the mints, in the trade between the silver countries and India. But when to this dislocation was added the further serious dislocation produced by the withholding of Council bills because the banks would not pay an impossible rate for them, it is important to point out that the refusal by the Government to sell Council bills at the market rate had not only no connection with the closing of the mints, but it was a policy that was perfectly certain to add enormously to the difficulties of the position produced by the closing of the mints, and to interfere very seriously with the working out of the new policy.

The following Tables show the movements of the international trade of India, and mark out the results that followed under the combined influence of two distinct causes that ought never to have been authorised so as to act conjointly, and to play havoc with the previously existing normal lines of Indian commerce:—

INDIA.—TOTAL IMPORTS AND EXPORTS, INCLUDING GOVERNMENT STORES AND TREASURE.

	Imports. Average per annum.	Exports. Average per annum.	Surplus Exports per Annum. Average.
FIVE YEARS ended March 31—	Rx.	Rx.	Rx.
1874—78	47,176,094	61,538,691	14,362,597
1879—83	57,153,750	75,556,735	18,402,985
1884—88	72,108,677	88,348,147	16,239,470
1889—93	86,259,150	106,309,000	20,049,850
THREE MONTHS. April 1 to June 30.	1891. Rx.	1892. Rx.	1893. Rx.
Surplus exports	9,729,298	10,657,653	10,732,164
SIX MONTHS. July 1 to December 31.	1891. Rx.	1892. Rx.	1893. Rx.
Surplus exports	7,735,822	11,107,802	—
Surplus imports	—	—	1,960,511
NINE MONTHS. April 1 to December 31.	1891. Rx.	1892. Rx.	1893. Rx.
Surplus exports	17,465,120	21,765,455	8,761,653

These figures show that the surplus exports in the three months ending June 30, 1893, before the Indian mints were closed, were nearly the same in amount as during the similar period in 1892. But the six months from the closing of the mints to the end of December, 1893, show surplus imports of Rx. 1,960,511, so that the falling off in surplus exports, and, in addition, the increase of surplus imports, as compared with the corresponding six months in 1892, amounted to no less than Rx. 13,000,000. The surplus exports have, therefore, ceased, and the balance of trade is now one of surplus imports, a condition of things that can only be reversed by the sale of Council bills, as the balance of trade has with surprising rapidity shown how immediately the absence of Council bills exhibits itself in a corresponding falling off in surplus exports. On the other hand, the net imports of silver into India, in the period of nine months, from April 1st to December 31st, amounted to 19,439,225 ounces, in 1891, to 27,421,440 ounces in 1892, and 37,415,943 ounces in 1893.

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The Indian Governments of the last 10 or 15 years have urged on the Home Government the enormous importance to the United Kingdom and to India of the adoption of bimetallism in Europe and America, and it is now evident that the failure to consent to bimetallism has brought upon this country a trade depression and general financial distress altogether unparalleled since the period of unrest and suffering that culminated in 1848 in revolutionary movements in nearly every capital in Europe, and from which relief only came by the flow of gold from California and Australia. But while the opinion is rapidly extending that bimetallism ought to have been adopted in the interest of this country, and that thus India should have been saved from the evils of the present monetary policy, and from the danger of bankruptcy which has been declared to be within measurable distance, nevertheless the policy is an existing fact. Condemn it as we may, it is to-day the law in India, and, therefore, it must be considered on its merits. It has already produced enormous injury, but, as I have pointed out, the moment of closing the mints was the very time chosen by both the Indian Government and the Secretary of State to refuse to sell the Council bills at their value in the market. Having closed the mints in the hope that the rupee would not fall further in its gold price, they immediately declared that it ought to rise suddenly 9 or 10 per cent. in its purchasing power over gold and over commodities.

But the policy, considered apart from its disastrous effects on trade, and merely in its currency aspects, is not unworthy of consideration. I differ entirely from those who declare it to be unsound according to the laws that govern currencies. It is not an automatic currency with coins circulating at or near their bullion value, it is a currency of silver coins limited, or that will be limited, in number, and circulating at a higher value than the bullion value of the silver they contain. The object that ought to be aimed at in a currency is to have it sufficient in quantity to cause a certain level of the average prices of the leading commodities to be maintained, and to effect this very important purpose, different expedients have been devised in the use of gold and silver. The distinguishing characteristic of the automatic method is that there shall be open mints for gold or silver, or for both metals, coinage being free of cost or at a small seignorage. But that is only one method, and, as is now abundantly demonstrated, it has in the last 20 years been a method that has produced very disastrous results, in so far that in the gold countries such as our own it has failed to save us from a fall in prices of 35 per cent. After all, it is the result we are aiming at, and not merely the method of reaching the result, and as the automatic system with gold only has egregiously failed in producing a standard of value, and failed also in maintaining a par of exchange among the nations using one or other or both of the metals, bimetallism is urged as a system which would undeniably give a par of exchange over the world, and would give in the gold countries a more stable standard of value than the single gold standard.

The Indian Government have abandoned one form of the automatic method, namely, having their mints open to silver, and they have arranged conditionally for the ultimate adoption of another form of the automatic method. They have provided that they will deliver out all the rupees that may be demanded in exchange for gold at the rate of 1s. 4d. the rupee, when by the contraction of the currency which they expect from the closing of the mints, the gold value of the rupee rises to 1s. 4d. By this automatic arrangement the rupee can never rise higher than 1s. 4d., as at that figure it will be automatically on the gold standard, and beyond this it cannot pass in its value at the Indian Treasuries. There is, therefore, amid the difficulties in finding perfect monetary expedients at least this merit in the method adopted by the Government, that there is complete control over the maximum limit to which the gold value of the limited rupees may rise.

But though 1s. 4d. is the ultimate destiny of the gold value of the rupee under the present arrangement, there is no prospect of its getting there for an indefinite time to come. The reason of this is obvious. When the mints were closed the rate was 1s. 2⅝d., and there were a certain number of rupees in circulation. It has already been explained that since that time the silver taken over from the banks was coined into rupees, and old rupees have come out of hoards and have also been returned from abroad. Thus there have been in all probability far more rupees added to the circulation since June 1893, than in any similar period previously, and consequently not only may there not be any contraction of currency, but more probably a considerable expansion of it. Yet must there be contraction before the rate can be

raised. The requisite contraction might be brought about in a short time if the Indian Government were to raise a loan and apply the proceeds to withdrawing rupees from circulation. They could, beyond the possibility of a doubt, raise the rupee to 1s. 4d. in gold if they only bought and withdrew rupees from circulation until, by the diminished number of rupees in circulation, each rupee was worth 1s. 4d. It would, however, be extremely difficult to give even a vague idea of the amount of rupees it might be necessary to withdraw to effect this purpose. But if Sir David Barbour's estimate be taken of the amount of rupees in effective circulation, namely, Rx. 115,000,000, it would not be safe to estimate the number of rupees to be withdrawn at less than Rx. 10,000,000, that is a contraction of about 9 per cent., and it might require double that amount. But even then the materials are wanting on which to found a judgment as to what amount of rupees might come out of hoards, at the increasing gold value of the contracting rupee currency, as compared with the value of silver bars. But, without the withdrawal of a very large quantity of rupees from circulation, the rapid rise of the rupee to 1s. 4d. is simply impossible.

There are, however, two objections to the adoption of this system of rapid contraction of the currency, one is that it would involve the expenditure of a large sum of money which the Government cannot spare, in the purchase of the rupees to be withdrawn; and this expenditure would be entirely unproductive until the expansion of trade caused a demand for rupees at 1s. 4d. in exchange for gold, and permitted the rupees to be put again into circulation. The other objection is that it would be a serious injury to trade and industry if the Government were to bring about a sudden rise of 10 or 15 per cent. in the gold value of the rupee, and thus depress to a corresponding extent the prices of Indian and British goods as valued in rupees. The plan of the Government is undoubtedly the more suitable, namely, to allow India's population and trade to grow up and extend so that a greater demand will be created for money, and this will gradually raise the gold value of the limited number of rupees until it comes to 1s. 4d. Contraction will thus take place, not by withdrawing rupees and afterwards giving them out slowly as trade increases, but by the gradual increase of the business to be done by a limited number of rupees.

There is no doubt that sooner or later this can be done, though there is one element of uncertainty that will be almost sure to add to the delay in its accomplishment. The Indian mints are closed, and soon the tale of rupees that are to be reckoned in the active circulation will be complete, as from hoards and from abroad old rupees will soon cease to come. If then it be assumed—what no one is likely to deny—that India will continue on its career of development and expansion, it is a matter of absolute certainty that the rupee will gradually increase in purchasing power. But the element of uncertainty is that the rupee may increase in purchasing power, and yet may not rise in its gold value to a corresponding extent. The Indian Government have, by closing the mints, removed the rupee from the vagaries of silver, but they have done this only to link it to the vagaries of gold. Now it appears to be in the highest degree probable that the gold prices of commodities will have a further declining tendency during the present year, unless some important legislation affecting the currencies takes place in one or more of the gold countries.

But if gold prices fall, and they have already fallen from 67 to 65 in January and February, this increased purchasing power of gold will lower the gold value of the rupee, and it is this process of gold prices falling, and the gold rate of the Indian exchange falling, that has been going on almost uninterruptedly for the last 20 years. There will, however, with closed mints and a contracting currency, be a rise in the purchasing power of the rupee, and thus, if gold prices were to remain stationary, the gold value of the rupee would gradually rise. It is evident, therefore, that with a fall in gold prices while rupee prices are stationary, the gold rate of exchange will fall, as it has done during the last 20 years. On the other hand if the rupee currency is contracting while gold prices are stationary, the purchasing power of the rupee will be increased and the gold rate of exchange will rise, according to the expectation of the Indian Government, while rupee prices of commodities will fall. But there is every reason to expect that in the present year gold prices will fall from scarcity of gold, and that rupee prices will fall from scarcity of rupees. The fall in the gold prices would, if it stood alone, be accompanied by a fall in the gold value of the rupee, and the fall in rupee prices, if it stood alone, would be accompanied by a rise in the gold value of the rupee. If then, as there is every reason to expect, gold prices will fall in England, and rupee prices

will fall in India, the consequence will be if they fall equally that the rate of exchange will not be altered, and thus the Indian Government will gain nothing by the contraction of the currency and by the fall in rupee prices. The currency will have contracted to some extent at the end of another 12 months, rupee prices will have fallen to a corresponding extent, but the gold value of the rupee, which the closing of the mints was intended to raise, will have remained unaltered. The reason is that rupees will then purchase more commodities and gold will also purchase more commodities, and thus the gold rate of exchange, or the ratio between gold and the rupee, will not be altered. The element of greatest uncertainty in the Indian currency is now, therefore, the uncertainty as to the degree in which the purchasing power of gold will increase. The tendency of the rupee currency, as soon as rupees cease coming from hoards and from abroad, must be to contract, and for the rupee to purchase more goods than formerly, and more gold also, if gold does not increase in purchasing power. But as the rupee will certainly in the future purchase more goods, while it may or may not purchase more gold even for a number of years, Indian prices will fall while the rate of exchange may fall, or remain unaltered, or rise but very little. It may thus be a long time before the Indian Government shall receive the benefit of 1s. 4d., or even of 1s. $2\frac{5}{8}$d., at which the rate stood when the mints were closed.

If the mints are kept closed, the Council bills will sell at a higher rate than if the mints are opened. There are some vague views drifting about amongst the flotsam and jetsam of this gold, silver, and currency controversy, that if India cannot maintain its favourable balance of trade, it will be compelled to ship rupees and sell them at their bullion value for the purpose of discharging its gold obligations. During all the difficulties in which India has been placed, it has never yet been under the necessity of shipping rupees in order to pay its gold indebtedness; and if this has never happened when the silver in the rupee was worth only $2\frac{1}{2}$ per cent. less than the same weight in bar silver, why should it happen when the silver in the rupee will weigh perhaps 15 per cent. less than the amount of bar silver that will be able to be bought for a rupee? Surely India will find other commodities to export to pay its debts, without having to withdraw rupees from circulation and sell them for bullion, when the rupees would purchase 15 or 20 per cent. more of commodities than the bullion in them would do. Is it possible to suppose that any Government would throw away 15 per cent. out of sheer wantonness? The policy is bad enough, and Governments are sufficiently unwise at times, but to suppose that they will melt down rupees and sell the bullion to pay their debts when the banks will be willing to give them gold in London, or gold bills on London in India for the full value of their rupees, is too great a stretch of imagination to be regarded as possible. After all, commodities in India will be valued in rupees, and merchants will buy those commodities at their rupee value and ship them. Is it conceivable that the Indian Government will refuse to place, as they have always done, their rupees through the banks at the disposal of merchants, but that instead they will melt down the rupees at a loss of 15 per cent., or more or less?

India, with closed mints, will be just as able to pay its debts as with open mints, but it cannot pay its debts either with closed mints or with open mints if it does not sell its Council bills, and does not thus create the balance of surplus exports which must follow the sales of these bills. There will, with closed mints as with open mints, be times as there have been in the past, when exceptional circumstances will lead wise statesmen not to unduly urge the sale of bills, but this will not be more frequent with closed mints than with open mints.

To the policy of closing the mints, therefore, I see no objection, regarded from the point of view of a currency expedient, as it will work perfectly well as a money system if it is properly carried out. But it has already been seen that the policy could not, even if it had been properly carried out, be put into operation without an enormous dislocation of trade and enormous injury to those engaged in it. No one knows the full ramifications of this dislocation, though in the trade with the Straits, China, and Japan the dislocation and the injury have been so palpable and so immediate, that they have struck even the Indian communities who urged the policy with dismay and despair. To communities, in which the majority had persuaded themselves that with closed mints the rupee could be raised to 1s. 6d. or 1s. 8d. within a few months, basing, on conclusions expressed in a section of the report of the Gold and Silver Commission, their belief that this rise in the rate could be effected without any change in prices and

without any particular effect upon trade, the result of the closing of the mints has been a speedy awakening to the enormous consequences of what they regarded as a comparatively harmless policy. The conclusion referred to, arrived at by the six members of the Gold and Silver Commission who favoured monometallism, was as follows:—"We believe the fall [in prices in England] to be mainly due, at all events, to circumstances independent of changes in the production of, or demand for, the precious metals or the altered relation of silver to gold." The Indian commercial communities seized upon this passage as their justification for the introduction of a gold standard at a high gold value for the rupee without any difficulty, disturbance, or injurious consequences. They argued that if the introduction of a gold standard into Germany, Holland, Denmark, Norway and Sweden, the United States, Italy, and Austria-Hungary, causing a new demand for more than £250,000,000 of gold had little or no effect on gold prices of commodities, then India's demand for £20,000,000 of gold will have infinitely less effect on gold prices, and, therefore, the raising of the gold value of the rupee will have no effect on Indian prices. This was in the whole of the conclusions of the monometallic members of the Gold and Silver Commission the most dangerous, at the same time the most unwarranted by the evidence, and Mr. L. H. Courtney, M.P., who signed it originally, has since intimated that he believes now that the fall in prices was mainly due to the appreciation of gold.

These communities may continue to quote this passage, and to shelter themselves behind it, but in acting upon it they will find it not only a broken reed to lean upon, but one of those misconceptions of facts which, when carried out, will lead, as it has already led, to disaster and to commercial chaos. The vehement objections which they have taken to the Secretary of State selling bills at less than 1s. 4d., and their proposal to send some competent person to supersede the Secretary in the sale of Bills, has its serious as well as its ludicrous side. But it is to be regretted that they have persuaded themselves that the rate of exchange ought not to be less than 1s. 4d. for an article which is only worth 1s. 2d. or less; and so long as they denounce all sales at the market rate, so long will they keep themselves and those who follow their views in a state of agitation and uncertainty, and so long will they continue to inflict upon themselves and upon the trade of India tribulation and disaster.

With the suspension of the purchases of silver and of the withholding of about £8,000,000 a year formerly added to the gold standard in the United States, the introduction of a gold standard into India on an automatic basis at 1s. 4d. is much further off than it seemed to be in June 1893, when the mints were closed. The withholding of this addition to the money of the gold countries is equivalent to a failure in the production of the mints of an equal amount. The effect of this can hardly fail to be to produce a further fall in the gold prices of commodities, and with this fall the contraction of the Indian currency will by so much fail to raise the gold price of the rupee, and thus this will delay indefinitely the policy of raising the rupee to 1s. 4d.

But it may be well to offer in conclusion a few brief observations on the proposals for a gold currency in India on the basis of 1s. 4d. the rupee. It will not be denied that the proposal of a gold currency is surrounded with many risks and uncertainties, and so formidable do these seem to be, that even if unhappily all further uncertainty be not at an early date merged in an international monetary arrangement, I venture to express the opinion that even when the rupee rises after an indefinite time to 1s. 4d., the Indian and the British Governments will not have the courage to face the certain injury and the further problematical difficulties by which they will then see the introduction of a gold currency to be surrounded. The experience since June, 1893 of the expectations which both Governments entertained as compared with the widely different effects which resulted from their policy, is not encouraging in the direction of their making further efforts in currency policies. The first doubt is as to the amount of gold that would be necessary to maintain a gold standard in a currency the great mass of which is to consist of silver rupees. Sir David Barbour estimates the amount of gold that will be needed at £15,000,000, and others estimate it at a higher figure. This, then, would have to be withdrawn from the gold currencies of the West, as Sir D. Barbour and others are of opinion that no gold would be sent from hoards to the mints in India unless it was intended to hoard the coins. Though the sum of £15,000,000 is mentioned, yet who can tell what unforeseen circumstances there might be which would require twice as much? The other serious element of doubt is the uncertainty as to what

natives of India would do when bright gold coins came into circulation. Fears have been expressed by persons with experience in India that the habit of hoarding silver, or putting it into ornaments, might change into a habit of similarly using gold, and that, at least, the presence of gold coins might be a temptation to a very extensive demand for gold for such purposes.

There are thus such considerable risks in the introduction of a gold currency that it will, in all probability, never be carried out. In its stead Ricardo's plan of gold bars for export only, which I put forward in discussing this subject 13 years ago,* might be adopted. Silver rupees might be delivered at 1s. 4d. against bar gold without coining the gold, and silver rupees might be received at 1s. 4d. against gold bars for export only. Mr. Lindsay's proposal to have the responsibility transferred to London of giving gold for rupees or rupees for gold would hardly be entertained unless bimetallism were adopted, owing to the indefinite responsibility it would place on the Government or on the Bank of England, and if bimetallism was adopted there would be no need for a gold standard in India. This method would dispense with the need for a gold coinage, as the Government would give and take gold at 1s. 4d. for silver rupees, and thus render the Indian currency automatic.

A simpler proposal, it seems to me, would be for the Indian Government to deliver silver rupees in exchange for gold, at 1s. 4d., when that rate was once reached, as is proposed in the first part of the new policy. This would keep the gold value of the rupee from rising above the fixed rate, and, as silver would be purchased and rupees would be coined at a profit, the Indian Government would receive gold at 1s. 4d. the rupee, and a profit besides. But there would not be a gold currency, nor would gold bars be provided for export. It is all but perfectly certain that after 1s. 4d. has been reached, the Indian currency will require additions of rupees from time to time to keep the value of the currency from increasing and to maintain prices. Taking the former experience of India, it has invariably coined considerable quantities of silver every year, and if the rate of 1s. 4d. was reached, considerable additions of rupees would have to be made in order to keep the rate from rising above 1s. 4d.

* In Article on "East Indian Currency and Exchange" already referred to.

Thus it is evident that the tendency would be for the Indian currency to contract, and for the rate to rise above 1s. 4d. In order to prevent contraction above 1s. 4d., the Government would issue silver rupees against gold at that rate, and they would sell the gold, but as the tendency of the currency would be to contract, there is no danger of its becoming redundant at any time for more than a very brief period, and no danger of the redundancy becoming so great as to produce any material fall in the gold value of the rupee. If, therefore, the Indian Government will accept gold in exchange for rupees, they will provide against the only real danger that will exist in the Indian currency when on the gold standard at 1s. 4d., namely, the danger of contraction. There will, at least, be no need to undertake an indefinite responsibility to provide gold, until, by experience, they have satisfied themselves that such a step is absolutely necessary, and I do not believe any such necessity will arise. If, after awaiting the experience of the rate in rising to 1s. 4d. and in being kept from rising above that rate, by giving rupees in exchange for gold, the Indian Government should find that the currency became redundant, and fell to a considerable extent, then it would be perfectly certain that the cause of the redundancy, and the consequent fall in the exchange was not due to the redundancy of the rupee currency, but to a further rise in the purchasing power of gold, which will be the continual danger of any gold standard policy in the future. I repeat the opinion I gave in my paper before this Society more than a year ago, that there is scarcely any chance that in the future, even with bimetallism, there will be enough gold and silver produced in the world to maintain even the present low level of gold prices for any considerable length of time.

Turn, therefore, in whatever direction we may, the appreciation of gold has laid a blighting hand over the length and breadth of the great civilized countries of the world; it has paralyzed the industries and the trade of nations but lately prosperous and flourishing; it has crippled and ruined whole classes, and its evil genius marches on to accomplish still further the work of ruin which the present monetary system renders inevitable. The gold indebtedness of India was created by Indian officials acting under the authority of the British Government, and, to-day, this gold indebtedness has become such an enormous burden in consequence of the appreciation of

gold that India is in a condition bordering on insolvency. This gold debt, further burdened by the appreciation of gold, is the one fatal inheritance under which Indian finances are staggering. For internal purposes the resources of Indian taxation are perfectly adequate. The suspension of coinage and the proposed gold standard are at best merely palliatives involving serious drawbacks under conditions that demand a solution, and not merely a palliative.

But while statesmen may affect to treat with a light heart the stupendous interests that are either prostrated or threatened all over the world by the rise in the purchasing power of gold, there is a Nemesis which is surely and swiftly dealing out retribution. The foreign trade of this country unhappily is declining in value, and particularly the exports of British produce on which so many of our workmen rely, while the revenue of the Exchequer is showing a considerabe falling off for the year ending March 31st, 1894. The prospect for the future is still less encouraging, prices are still declining and will for some time to come continue to decline, and in face of these conditions trade must continue stagnant and the national revenue must still further fall off. The action of the Indian Government in closing the mints is regarded by themselves as merely a palliative adopted in an exigency of despair. They do not pretend to accept it as a solution. It is merely a momentary breathing space to save them for a time from worse immediate consequences; although perhaps to-day the Indian Government are having it borne in upon them that the former ills were lighter than these later ones. But in these currency troubles of the last 20 years there has been only one solution seriously put forward, and that is to return to the joint standard of gold and silver under which the trade of this country was developed to enormous proportions, under which our empire in so many portions of the globe was so marvellously built up, and under which the West, as contrasted with the East achieved its unrivalled triumphs in the paths of civilization. And I venture to predict that the civilized world will ere long be compelled to return to that former standard, and that then, and not till then, they will be able to cast off the benumbing influence of the decline and retrogression of the last twenty years, and to press forward with confidence and with renewed energy on a new era of progress and prosperity.

PRINTED BY WILLIAM TROUNCE, 10, GOUGH-SQUARE, FLEET-STREET, E.C.

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